

Message Text

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C O N F I D E N T I A L GUAYAQUIL 991

E.O. GDS

TAGS: ABLD, EC

SUBJ: U.S. COMMERCIAL COMPANY PROPERTY CLAIM

REF: STATE A-6334 ET AL

1. BECAUSE OF RECENT EVENTS I HAVE SPENT CONSIDERABLE TIME RECONSIDERING OUR CASE FOR A CLAIM TO U.S. COMMERCIAL COMPANY PROPERTY IN GUAYAQUIL. I HAVE CONCLUDED THAT WE SHOULD NOT PURSUE MATTER FURTHER. MY REASONS ARE OUTLINED BELOW.

2. ADA CASE. RECENT DEVELOPMENTS CONCERNING ADA COMPANY CONTRACT TO EXPLOIT NATURAL GAS DEPOSITS IN GULF OF GUAYAQUIL AND MY LENGTHY CONVERSATIONS WITH ADA MANAGER RODRIGO BASTIDAS HAVE BROUGHT HOME TO ME NATURE OF LEGAL SWAMP ONE ENTERS WHEN DEALING WITH GOE. AMOUNT OF PAPER WORK REQUIRED IS OVERWHELMING (A PROBLEM ALSO BEING ENCOUNTERED NOW BY JOHN SHEEHY, GENERAL MANAGER OF EMELEC, IN SALE OF ELECTRIC COMPANY TO GOE). ONE MUST DEAL WITH INNUMERABLE PERSONS IN SEVERAL MINISTRIES. CABINET IN-FIGHTING AND DUPLICITY APPEARS CONSTANT (THIS IS ESPECIALLY IMPORTANT IN USCC CASE BECAUSE OUR MAIN POINT OF CONTACT WOULD BE ATTORNEY GENERAL WHO HAS BEEN DESCRIBED AS CORRUPT). I BELIEVE MOST IMPORTANT LESSON OF ADA CASE IS THAT NO DECISION IS FINAL. DOMESTIC POLITICS HAVE PROFOUND EFFECTS ON LEGAL CONTRACTS.

3. HACIENDA VILLANUEVA CASE. HACIENDA VILLANUEVA CASE APPEARED IN GUAYAQUIL PRESS IN LATE AUGUST AND CONTINUES AS MAJOR NEWS STORY AND TOPIC OF CONVERSATION. A LARGE PRIVATE PROPERTY WAS SOLD TO IERAC (AGRARIAN REFORM AGENCY) IN 1967 FOR 21 MILLION SUCRES. IT

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IS NOW CLAIMED THAT PROPERTY WAS WORTH ONLY 9 MILLION. FIVE

PROMINENT PEOPLE WERE ARRESTED, INCLUDING OWNER, FORMER IERAC OFFICIALS, AND IMPORTANT MEMBERS OF JUDICIARY. AGRICULTURAL COOPERATIVE ON PROPERTY, AFFILIATED WITH CTE (COMMUNIST LABOR CONFEDERATION), HAS TAKEN OUT LARGE ADS IN PRESS ATTACKING OWNER AND DEMANDING

THAT THOSE INVOLVED BE PUNISHED. I CAN NOT JUDGE MERITS OF THIS CASE BUT IT IS AN EXCELLENT EXAMPLE, AS IS ADA PROBLEM, OF HOW ONE ADMINISTRATION SEEKS TO COIN POLITICAL CAPITAL BY EXPOSING THE CORRUPTION, REAL OR ALLEGED, OF ITS PREDECESSORS.

4. THE WEAKEST ASPECT OF OUR CLAIM TO USCC PROPERTY IS THAT IN ORDER TO OBTAIN TITLE WITHOUT PAYING EXORBITANT TAXES WE MUST STATE THAT WE INTEND TO USE PROPERTY AS SITE FOR CONSTRUCTION OF USG OFFICES AND/OR RESIDENCES. BECAUSE OF CASES DESCRIBED ABOVE, I AM NOW CONVINCED THAT IT WOULD BE A SERIOUS MISTAKE TO STATE PUBLICLY, AND IN WRITING, THAT WE INTENDED TO USE THE PROPERTY FOR THIS PURPOSE. MY CONVICTION STEMS FROM BOTH SHORT AND LONG RANGE FACTORS.

A. SHORT RANGE. THE SITE OBVIOUSLY CAN NOT BE USED FOR RESIDENTIAL PURPOSES. IT IS NOT SUITABLE FOR LOCATION OF OFFICES BECAUSE OF ITS ISOLATION FROM COMMERCIAL CENTER OF GUAYAQUIL AND BECAUSE IT IS IN INDUSTRIAL AREA. MAINTAINING ILLUSION THAT WE INTENDED TO LOCATE CONSULATE GENERAL IN THIS AREA WOULD BE MOST DIFFICULT. PROBLEM IS COMPLICATED BECAUSE FOR VARIETY OF REASONS WE SHOULD SELL PRESENT CG BUILDING AND WITHIN A FEW MONTHS I WILL BE PUBLICLY SEEKING SUITABLE OFFICE SPACE IN GUAYAQUIL.

B. LONG RANGE. ASSUMING THAT SOME WAY COULD BE FOUND TO OVERCOME SHORT RANGE PROBLEMS, THE USG WOULD BE FACED WITH A SERIOUS OBSTACLE WHEN IT ATTEMPTED TO SELL PROPERTY. AT SUCH TIME A STATEMENT WOULD HAVE TO BE MADE THAT USG HAD CHANGED ITS MIND ABOUT USE OF PROPERTY AND WAS SEEKING PURCHASERS. AT THIS POINT I PREDICT THAT WE SHOULD BE CONFRONTED BY HORRORS SIMILAR TO THOSE OF ADA AND HACIENDA VILLANUEVA CASES. IF PRESENT ADMINISTRATION WERE STILL IN POWER, IT WOULD BE DIFFICULT FOR IT TO LET THIS TRANSACTION TAKE PLACE. IF GOVERNMENT APPROVED SALE IT WOULD BE WIDE OPEN FOR CRITICISM ON GROUNDS IT HAD SOLD OUT TO THE UNITED STATES. IF A DIFFERENT ADMINISTRATION WERE IN POWER, AN ATTEMPT TO SELL PROPERTY WOULD PROVIDE OPPORTUNITY FOR REOPENING ENTIRE MATTER AND ALLEGING THAT REGIME THAT AWARDED TITLE TO USG WAS LAX AND/OR CORRUPT.

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5. ON AUGUST 27 I VISITED PROPERTY FOR FIRST TIME IN SEVERAL MONTHS. AT LEAST SIX SQUATTER FAMILIES HAVE CONSTRUCTED CRUDE DWELLINGS ON THE SITE. THEIR PRESENCE FURTHER COMPLICATES PROBLEM.

6. TWO FORMER PRESIDENTS ARE CONNECTED WITH PROPERTY OWNERSHIP. LAND WAS ORIGINALLY PURCHASED FROM JUNTA DE BENEFICENCIA DE GUAYAQUIL BY SCAE. FATHER OF CARLOS JULIO ARESEMENA MONROY WAS

PRESIDENT OF JUNTA AT THAT TIME. MOREOVER, AROSEMENA MARRIED DAUGHTER OF JOHN PEET, ACTING MANAGER OF SCAE WHEN PROPERTY WAS PURCHASED. THE DECREE DEEDING PROPERTY TO ECUADOREAN RAILROAD WAS SIGNED BY JOSE MARIA VELASCO IBARRA. THIS DECREE MUST BE REVERSED IN ORDER FOR USG TO GAIN TITLE. THESE CONNECTIONS ARE YET TWO MORE SOURCES FOR POLITICAL SCANDALMONGERING CONCERNING LEGAL TITLE TO PROPERTY.

7. RECOMMENDATION. THE OBJECT OF OBTAINING TITLE IS TO SELL PROPERTY FOR BENEFIT OF U.S. TREASURY. I HAVE NOW COME TO CONCLUSION THAT THIS GOAL CAN NOT BE ACHIEVED. I RECOMMEND THAT WE DROP ENTIRE MATTER.
DEWITT

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